FSC-135-B	8/22/97
SUBJECT:	DORAL Response to GPC Discounting Activities

DISTRIBUTION:

X AVP	X KAM	X DM
X RSM	X AM	X RM
X RBM	X AE	___ Sales Rep
X ROM		___ Retail Rep

Objective: Communicate DORAL response to aggressive GPC discounting activities.

Purpose: It has become necessary to raise our ceiling strategy to $4.00 to allow you to respond to specific GPC situations in the marketplace:

- A packaging change where old style packaging is being discounted $1 higher versus new packaging in order to pull through old style product at retail (similar to our WINSTON Launch strategies).
- Introduction of two new Medium Box styles.
- Emphasis on Box styles utilizing more aggressive discounting.

IMPORTANT: Our ceiling strategy continues to be a "responsive/defensive strategy" and must not drive or lead pricing down. However, it is important that we respond to GPC's increased activities in order to protect our business and maintain our upward momentum on DORAL without driving GPC to higher discounting levels long term.

In response to GPC's aggressive discounting, effective immediately you are authorized to:

- Raise the ceiling on DORAL to $4 as needed, all outlet types. Our objective is to match GPC tactic for tactic on a store-by-store basis.

  Once the majority of GPC's higher share styles of old style packaging are sold through and/or only marginal share styles remain in an account, our strategy is to match the discount amount on new packaging. It will be necessary to use your judgment in monitoring/adjusting the use of increased values against GPC's more aggressive discounting of old style packaging so as not to drive GPC to the higher discount amount on new packaging going forward.

- Match GPC aggressive discounting on Box styles (excluding GPC Medium Box) tactic for tactic with DORAL Box styles (up to $4.00 ceiling).

- Discount amount should be up to but not to exceed $4 per carton/40¢ per pack in any outlets. If B&W is receiving a retailer match, we should receive the same benefit/amount. Example: If B&W is paying retailer $3.50 and the retailer is matching 50¢ for a total discount of $4, we should receive the same benefit/amount.

- **This competitive response program does not include military accounts. Continue current strategies in these accounts.**

- MONARCH and BEST VALUE are not affected by this program. Continue to implement your current EDLP and ceiling strategy guidelines.

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Source: https://www.industrydocuments.ucsf.edu/docs/qkbn0000

- Continue to implement Forsyth second half promotions using all available funds. Use accounts Alliance Accrual Funds where available to ensure parity and up to $1.30 per carton advantage over GPC. Utilize Forsyth pricing POS to show the discount amount the same as DORAL guidelines.

Key tactics in responding to GPC are:

- Display presence must be at parity to GPC or better. In most cases, GPC will strive for temporary displays and our objective is to out execute them.

- Quantities discounted should match the same "day supply" as GPC.

- Signage/price communication must be at parity with GPC or better. It is extremely important that we have highly visible pricing POS to communicate a "special offer price." Utilize DORAL pricing POS and show the discount amount and special price. Example: Normal price $1.69. Price communication should show: You save 40¢. Special Price $1.29.

- To support this program, the appropriate 35¢/40¢ pack and $3.50/4.00 carton DORAL price reduction, VPR and thermal-printed coupons will remain available in Poqets/laptops.

It is important that we respond to GPC's aggressive discounting as necessary on a call-by-call basis in order to protect our business. However, it is critical that we do not drive GPC to a $4 level long-term. Attached are examples of GPC discounting situations and DORAL's response.

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Example 1 - Chain Buydowns

Situation: XYZ Chain increases buydown on GPC from $3.00 to $4.00 to flush out old style packaging.

Response: Match GPC at $4.00 for the same timeframe.

Example 2 - Old/New Packaging

Situation: GPC has predominantly old style packaging on hand at $4.00 discount, and some new styles at $3.00. DORAL has a $3.00 buydown.

Response: Raise your buydown to $4.00 and monitor. Once GPC has the majority of their inventory in new style packaging at $3.00 you should match DORAL at $3.00. Use your best judgment on when to lower the DORAL rate, keeping in mind we do not want to drive discount values to higher levels on GPC's new style packaging.

Example 3 - Old/New Packaging

Situation: GPC has old style packaging on hand on marginal brand styles at $4.00, majority of the remaining product is new style packaging at $3.00.

Response: Discount DORAL at $3.00. **NOTE:** Once old style packaging flows through, our trigger is new packaging.

Example 4 - Old/New Packaging

Situation: GPC has old style packaging on hand on marginal brand styles at $4.00. Majority of the remaining product is new style packaging also discounted at $4.00.

Response: Discount DORAL at $4.00. **NOTE:** Once old packaging flows through, our trigger is the new packaging.

Source: https://www.industrydocuments.ucsf.edu/docs/qkbn0000